

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01
CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04
SIL-01 IGA-02 /105 W
-----141741Z 074002 /41

R 141702Z APR 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2652
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION NATO BRUSSELS
USMISSION GENEVA
USNMR SHAPE

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E.O. 11652: N/A
TAGS: ELAB, UK
SUBJECT: TUC AND GOVERNMENT DO SOME SPARRING

REF: (A) LONDON 5269 (B) LONDON 5753

SUMMARY. THE FIRST OFFICIAL DISCUSSION BETWEEN THE TUC
AND THE GOVERNMENT SINCE CHANCELLOR OF THE EXCHEQUER
DENIS HEALEY UNVEILED HIS BUDGET PROPOSALS WAS
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ESSENTIALLY A "RITUALISTIC" MEETING RATHER THAN A BAR-
GAINING SESSION ABOUT THE NEXT PAY POLICY. IT PROVIDED
AN OPPORTUNITY, HOWEVER, FOR THE TUC TO VOICE ITS
CRITICISMS OF THE BUDGET PROPOSALS AND FOR THE CHANCELLOR
TO EMPHASIZE THE DANGER OF A WAGES EXPLOSION TO THE
ECONOMY. WHILE SERIOUS TALKS WITH THE GOVERNMENT ARE
EXPECTED TO BEGIN SHORTLY, IT IS UNLIKELY THAT THERE

WILL BE AN EARLY CONCLUSION -- ONE WAY OR ANOTHER -- ON
PAY. END SUMMARY.

1. THE MEETING YESTERDAY (APRIL 13) BETWEEN THE TUC
ECONOMIC COMMITTEE AND CHANCELLOR OF THE EXCHEQUER DENIS
HEALEY AND OTHER MINISTERS WAS, AS ONE TUC OFFICIAL
DESCRIBED IT TO US, MAINLY "RITUALISTIC" IN THAT IT WAS
THE FIRST OPPORTUNITY TO PROVIDE A TUC REACTION TO MR.
HEALEY'S BUDGET PROPOSALS. THE UNION LEADERS STRONGLY
CRITICIZED VARIOUS ASPECTS OF THE BUDGET (REF. A),
PARTICULARLY THE CHANCELLOR'S DECISION TO MAKE A SIGNIFI-
CANT AMOUNT (42 PERCENT) OF TAX REDUCTION DEPENDENT ON
A SATISFACTORY PAY ACCORD. THEY WERE CRITICAL OF HMG'S
LEADERS ALSO MADE IT ABUNDANTLY CLEAR TO MR. HEALEY THAT
UNLESS THE GOVERNMENT MOVES RAPIDLY TO STEM INFLATION,
A PAY DEAL WILL BE EXTREMELY DIFFICULT TO REACH. MURRAY
TOLD THE PRESS THAT AS FAR AS PRICES WERE CONCERNED
"THE BALL IS VERY MUCH IN THE GOVERNMENT'S COURT AND WE
WILL HAVE TO SEE IF THEY CAN KICK A FEW GOALS.

2. IN ADDITION TO DEFENDING HIS BUDGET PROPOSALS, THE
CHANCELLOR WARNED THE UNION LEADERS THAT A WAGES EXPLO-
SION WOULD SERIOUSLY DAMAGE THE ECONOMY AND WOULD IN
THE PROCESS HARM WORKERS. HE EMERGED FROM THE MEETING
TO TELL REPORTERS THAT HE IS "DETERMINED RATHER THAN
CONFIDENT THAT THERE WILL BE A OAY POLICY". HEALEY AND
OTHER MINISTERS WILL BEGIN DOWN-TO-EARTH TALKS SHORTLY
WITH THE UNIONS, BUT THEY ARE ACUTELY CONSCIOUS OF THE
CONSIDERABLE RIGIDITIES IN THE LABOR MARKET STEMMING
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FROM NEARLY TWO YEARS OF WAGE RESTRAINT. (THEY ALSO HAVE
GRAPHIC REMINDERS OF THE WAY IN WHICH SUCH PRESSURES ARE
EXPRESSING THEMSELVES IN STRIKES LIKE THE CONTINUING
DISPUTE OF MAINTENANCE ENGINEERS AT LONDON'S HEATHROW

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INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01
CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04
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-----142210Z 078946 /62

R 141702Z APR 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2653
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
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C O R R E C T E D C O P Y (FOR SIGNATURE)

AIRPORT.)

3. DESPITE THE PRESSURES AND DESPITE THE GROWING CLAMOR
BY SOME UNIONS OR SECTIONS OF UNIONS FOR A RETURN TO
FREE COLLECTIVE BARGAINING (REF. B), SOME AGREEMENT ON
PAY REMAINS LIKELY. HOWEVER, THE CENTRAL QUESTION STILL
REMAINS: WHAT SHAPE WILL THE AGREEMENT TAKE? THERE IS
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SKEPTICISM IN SEVERAL QUARTERS THAT AN ACCEPTABLE THIRD
ROUND CAN BE NEGOTIATED IN VIEW OF THE UNIONS' GENERAL
AIM TO RESTORE DIFFERENTIALS AND ELIMINATE ANOMALIES IN
PAY WHICH HAVE DEVELOPED OVER THE PAST TWO YEARS. SETT-
ING ASIDE THE EXTREME CLAIMS BY MINERS AND TECHNICIANS
FOR A 33 TO 35 PERCENT INCREASE, IT WOULD APPEAR VERY
UNLIKELY THAT THE CHANCELLOR'S HOPE CAN BE REALIZED THAT
AVERAGE EARNINGS DURING A THIRD YEAR OF WAGE RESTRAINT
WOULD INCREASE NO MORE RAPIDLY THAN THEY DID DURING THE
SECOND YEAR. THIS SITUATION HAS ENCOURAGED SOME OBSER-
VERS SUCH AS THE TIMES (APRIL 14) TO SUGGEST THAT PERHAPS
FREE COLLECTIVE BARGAINING WOULD BE A FAR BETTER ALTER-

NATIVE THAN "FOR THE GOVERNMENT TO FOUND ITS ECONOMIC POLICY ON A PHASE 3 BARGAIN WHICH WAS, IN PRACTICE, MERELY AN ENCOURAGEMENT TO INFLATION." THE TIMES SAYS: "FREE COLLECTIVE BARGAINING UNDER THE SHADOW OF THE DANGERS (I.E. RISING UNEMPLOYMENT AND HIGHER PRICES) THAT HAVE BECOME APPARENT TO EVERY TRADE UNIONIST SINCE 1974 WOULD BE A DIFFERENT THING FROM WHAT IT USED TO BE. IT MIGHT CREATE A STATE OF AFFAIRS CLOSER THAN ANY FEASIBLE PHASE 3 AGREEMENT TO THE IDEAL OF A LOW (PAY) NORM WITH REASONABLE SCOPE FOR RESTORING SOME OF THE ANOMALIES THAT TWO YEARS OF ROUGH-AND-READY CONSTRAINTS HAVE CREATED."

4. THE TIMES OF COURSE IS MAKING AN EDUCATED GUESS. BUT THE GOVERNMENT APPEARS COMMITTED TO WORKING OUT SOME KIND OF A DEAL. IT HAS PREDICATED ITS ECONOMIC AND POLITICAL POLICY ON COMING TO SOME AGREEMENT WITH THE UNIONS, WITHIN THE FRAMEWORK OF THE SOCIAL CONTRACT WHICH HAS BEEN A KEY FACTOR IN ITS RELATIONSHIP WITH THE TUC EVER SINCE IT CAME TO POWER. OUR GUESS IS THAT WHILE THE GOVERNMENT WILL TRY VERY HARD TO GET A FULLY ACCEPTABLE POLICY, IT WILL BE PREPARED IN THE END, IF NECESSARY, TO ACCEPT A LOOSE AGREEMENT RATHER THAN HAVE NONE AT ALL.

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Message Attributes

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